

## **The Energy Policy Act of 2005**

On July 29, 2005, Congress passed the first comprehensive energy legislation in over a decade. This historic bill follows many of the principles outlined by President Bush to strengthen our nation's electrical infrastructure, reduce our dependence on foreign oil, increase conservation and expand the use of clean renewable energy.

While the bill will help address our long-term challenges, there are many provisions that will help South Carolina families save energy - and money too.

Many of the benefits for consumers are federal income tax credits that will become available January 1, 2006. Tax credits are better than tax deductions and give taxpayers dollar-for-dollar reductions on his or her taxes.

You can find the full text of this bill by clicking [here](#).

Following is a list of some of the most popular points of the bill of interest:

### **In Your Home:**

- Consumers can receive federal income tax credits up to \$500 on the amount they spend to make home improvements to stop energy waste. Eligible improvements include:
  - adding energy-efficient insulation, exterior doors, and/or ENERGY STAR pigmented (reflective) metal roofing – up to 10% of purchase/installation costs;
  - installing new energy efficient exterior windows – up to \$200 income tax credit;
  - installing a highly efficient central air conditioner (13 SEER or greater), heat pump (13 SEER or greater) or water heater - up to \$300 income tax credit. Water heater efficiency is reported in terms of the energy factor (EF). The higher the EF, the more efficient the water heater. For electric water heaters, the EF range is 87 to 98; for gas-fired water heaters, the range is 51 to 86.
- Consumers can receive an income tax credit of up to 30% of the cost, or up to \$2,000, for installing a solar-powered system or a solar hot water system used exclusively for purposes other than heating swimming pools and hot tubs.
- Contractors can receive a \$1,000 tax credit for new ENERGY STAR qualified homes with projected annual heating and cooling energy consumption less than 70% of a comparable home. Contractors can receive tax credits of \$2,000 for building homes with projected annual heating and cooling consumption less than half of that of a comparable home.
- Appliance manufacturers will benefit from producing energy efficient appliances. A limited number of tax credits are available for ENERGY STAR qualified dishwashers (up to \$100); ENERGY STAR qualified clothes washers (\$100); refrigerators that save 15% energy from 2001 standards (\$75); refrigerators that save 20% energy (\$125); or refrigerators that save 25% energy (\$75). It is believed that manufacturers will pass these credits on to the consumer in the form of lower prices, making these appliances more affordable to the public.
- To encourage homeowners (and businesses) to generate their own power through solar or other means, the energy act requires every public electric utility to offer interconnection to the power grid and net metering upon request. Net metering allows consumers to offset their electrical use with any self-generated electricity fed into the power grid, thus earning a price for electricity that they produce that is equal to the price they pay utilities. Utilities will have three years to implement a system to offer net metering to interested customers.

### **For Your Car:**

- Starting in 2006, buyers of hybrid-cars and cleaner burning diesel engine (lean burn) vehicles will be eligible for tax credits ranging from \$1,700-\$3,000; this credit is tied with two components: hybrids that

save the most fuel compared with standard gasoline-fueled 2002 models, and the vehicle's estimated lifetime fuel savings. The estimated annual fuel cost of a vehicle is found on the car's sticker. You can also learn about fuel efficiency and make an informed decision before visiting the showroom by reading *The Fuel Economy Guide* at [www.fueleconomy.gov](http://www.fueleconomy.gov).

- The amount of income tax credit for the purchase of a fuel cell vehicle is determined by a base credit amount that depends up on the weight class of the vehicle (*The Fuel Economy Guide*) and in the case of automobiles or light trucks, an additional credit amount that depends upon the rated fuel economy of the vehicle compared to a base fuel economy.
  - For fuel-cell-powered vehicles weighing less than 8,500 pounds, for instance, the base credit will be \$8,000 - heavier vehicles will get bigger credits.
- Credits are offered for cars and light trucks that are more fuel efficient than standard gasoline-fueled 2002 models.
- A provision permits taxpayers to claim a 30% income tax credit for the cost of installing clean-fuel vehicle refueling property to be used in a trade or business of the taxpayer or installed at the principal residence of the taxpayer.
  - Under the provision, clean fuels are considered any fuel at least 85% of the volume of which consists of ethanol, natural gas, compressed natural gas, liquefied petroleum gas, and hydrogen and any mixture of diesel fuel and biodiesel containing at least 20% biodiesel (Provision is effective for property placed in service after 12/31/2005 and before 01/01/2010).

### **In Your Government:**

- The bill authorizes grants to states such as South Carolina with up-to-date building codes to increase compliance with the codes and ease implementation.
- Tougher requirements will be imposed on federal alternative fuel fleets to ensure these vehicles are actually using clean alternative fuels, not just gasoline, provided the fuels are reasonably available and not unreasonably expensive.
- The bill extends funding of South Carolina's Low-Income Home Energy-Assistance program (LIHEAP) and weatherization assistance through 2007.
- The Act includes a number of provisions to increase the use of renewable energy as a source of electricity. By 2013, the federal government must buy at least 7.5% of its electricity from renewable energy sources, including wind, solar, biomass, landfill gas, ocean, geothermal, municipal solid waste, and new hydroelectric generation achieved through improved hydroelectric plants.
- The Renewable Fuels Standard will require that gasoline sold in the United States in 2006 contain 4 billion gallons of biofuels, increasing to 7.5 billion gallons in 2012. This will reduce oil consumption by 80,000 barrels of oil a day by 2012.
- Federal agencies must cut the energy consumption in their buildings by 20% below energy used in 2003, in terms of energy use per square foot, by 2015.

### **Energy Efficiency and Conservation Measures**

- A provision with direct and more immediate impact on the public expands daylight-saving time by one month, beginning the second Sunday in March and ending on the first Sunday in November. This is expected to help us save energy by keeping us outdoors for longer periods. This change will not go into effect until 2007. There will be a study of the energy savings, with the right to revert to the previous schedule.

### **Utilities:**

- Utilities will have to meet federal reliability standards for the electricity grid to try to avoid a repeat of the massive 2003 blackout that disabled the Midwest and Northeast.

